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C O N F I D E N T I A L SECTION 01 OF 02 TALLINN 000737

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TAGS: [EPET](#) [PGOV](#) [ENRG](#) [EN](#)
SUBJECT: ESTONIA AND RESOURCE NATIONALISM

REF: SECSTATE 150999

Classified By: DCM Karen Decker for reasons 1.4 (b) & (d).

11. (U) Estonia does not exhibit resource nationalism as described in reftel. The government does not arbitrarily change regulations pertaining to investment in natural resources or any other sector to favor domestic companies over foreign-owned firms. Since joining the European Union in 2004, the Estonian government has sought to maintain liberal policies in order to attract export-generating investments. All foreign investors are treated on an equal footing with local investors. Estonia,s government does not screen foreign investments. There are certain fields of activity which require licenses or special permits, which must be obtained by both domestic and foreign investors before the registration will be made in the Commercial Register. To date, the GOE,s review and licensing procedures have proven to be routine and non-discriminatory. Restricted fields of activity involving natural resources include: precious metals and stones; radioactive substances; and fuel, liquid fuel, or gas) which include Estonia,s large deposits of oil shale.

12. (C) With respect to oil shale as a source of domestic energy, Estonia is unique. Over 90 percent of Estonia,s electricity needs (about 54 percent of overall energy demand) are met by burning domestically-mined oil shale and Estonia is a net-exporter of electricity. These oil shale reserves provide Estonia with a level of energy independence even though Russia is the sole source of all petroleum and natural gas for the Estonian market. For this reason, ownership and control of the oil shale refineries in Estonia, and access to this natural resource, are considered of strategic interest to the state.

13. (U) Estonia,s openness to foreign direct investment extended to its privatization program, which is now complete. Only a small number of enterprises) the country,s main port, the power plants, the postal system, and the national lottery) remain state-owned. During the last decade, Estonia has been one of the leading countries in Central and Eastern Europe in terms of inward investment per capita. Companies partly or wholly owned by foreigners account for one-third of Estonian GDP and over 50 percent of the country,s exports.

14. (C) Responses to reftel,s specific questions are noted below:

- Describe and analyze evidence of resource nationalism in host country's political and economic discourse.

Estonia ranked 12th in the world in the Heritage Foundation,s Index of Economic Freedom. It scored 90

percent on that report in terms of Investment Freedom, which noted that while &The government requires licenses for investment in mining, gas and water supply ... most capital transactions are not subject to controls.8

In September 2007, the Estonian cabinet refused permission to the NordStream company to perform an environmental impact assessment in Estonia,s Economic Zone, in part because of concerns that such a study could reveal information about Estonia,s natural resources. However, this decision was based upon provisions in international treaties to which Estonia is signatory, namely the U.N. Convention on the Law of the Sea (UNCLOS).

- Report and describe examples of actions or policies that are motivated by resource nationalism.

Although Estonia,s reserves of oil shale are owned by the monopoly state energy company, Eesti Energia, the GOE does not practice resource nationalism. Its natural gas distribution company, Eesti Gas is majority foreign-owned. (Note: the majority owners are Germany,s EON Ruhrgas and Russia,s Gazprom, the same owners of the NordStream pipeline company. End note)

- Does there appear to be an increasing number of such actions?

No.

- What group, company, or set of individuals appears to be the major beneficiary of resource nationalist policies and actions?

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Not applicable.

- Does Post have any recommendations about possible USG actions, public or private, that could effectively address growing resource nationalism?

The GOE is fully and vocally supportive within EU fora of adopting a strong stance on energy security along the lines of current USG policy. Estonia favors transparency, diversity and competition in energy markets, and a separation of resource supply and distribution networks.

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